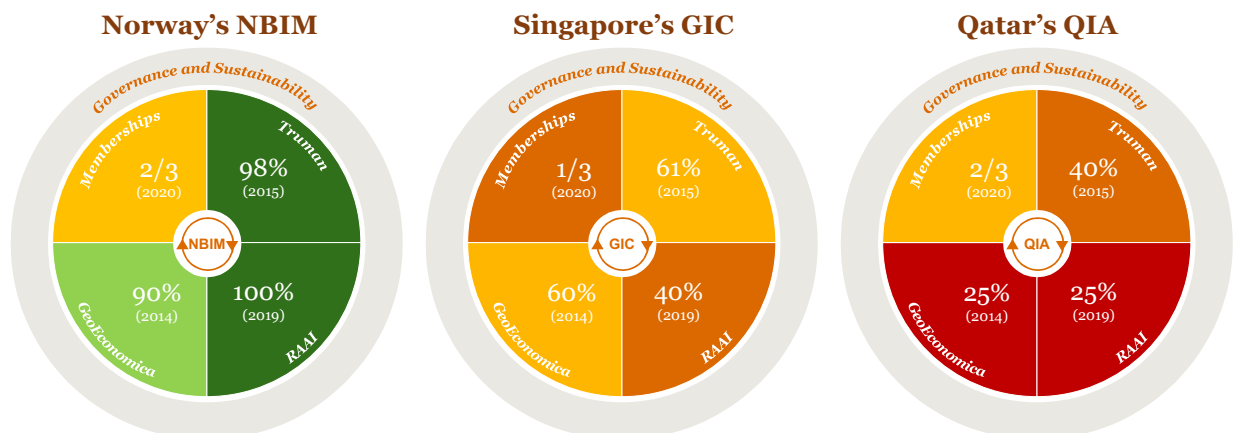


White Paper – Are SWFs JUST investors?

Governance and Sustainability:

- Sovereign Wealth Funds (“**SWFs**”) are publicly owned, foreign and controversial buyers, and the industry has been subject to scrutiny since the term was first coined. In 2008, executives of 26 SWFs came together in Chile and published certain Generally Accepted Principles and Practices (“GAPPs”), or Santiago Principles, to constitute a voluntary framework of investment practices, governance and accountability.
- Twelve years later, the Santiago Principles, now managed by the International Forum of SWFs (“**IFSWF**”) and adhered by 38 members, continue to be the only major reference for best practices in the industry. However, endorsing the GAPPs is neither a necessary nor a sufficient condition for a SWF to be well governed, and founding members incl. Norway’s NBIM and Chile’s ESSF are no longer with the Forum¹.
- The world has changed significantly since 2008 and there is an increasing pressure for asset owners to be not only transparent but also responsible. In that context, some of them have also signed the United Nations’ Principles for Responsible Investing (“**UNPRI**”), and more recently, the One Planet SWF Group (“**OPSWF**”) framework. Only one SWF, the NZ Super, is a signatory member of all three IFSWF, UNPRI and OPSWF.
- There have been several other efforts to quantify SWFs’ right doing, most notably, **Truman**’s scoreboard, which assesses their structure, governance, transparency, accountability and behavior. In 2015, his research suggested that “there was an uneven progress during the period 2008-15, and that most funds still fell short of what it was expected from them”². We can just wonder what his scorecard would be in 2020.
- Similarly, political risk consultancy **GeoEconomica** quantified in 2013 and 2014 the compliance of the funds with the Santiago Principles, finding that only 9 of the 31 IFSWF members had fully met all the conditions of the good governance and disclosure standards agreement, and that “Qatar’s QIA had failed to do so”³.
- The increasing importance of responsible allocation and sustainable development requires a revisit of any SWF assessment. In that context, New America and BWII recently developed the Responsible Asset Allocator Index (“**RAAI**”) that ranked SWFs and Pension Funds based on ten core principles and criteria. One of them scores the asset owner’s acknowledgement of the Sustainable Development Goals.
- Looking at the four data points cited above (Memberships, Truman, GeoEconomica and RAAI), we can build a circular snapshot to visually assess how well-governed and how responsible an SWF is, as follows:



Source: Global SWF Analysis

¹ Wright, C. (Euromoney): Scoring the Santiago Principles as they turn 10 ([link](#))

² Stone, S. and Truman, E. (PIIE): Uneven Progress on SWF Transparency and Accountability ([link](#))

³ Behrendt, S. (GeoEconomica): Santiago Compliance Index 2014 ([link](#))

What about their portfolios?

- But the issue is not so simple. SWFs and PPFs are highly complex and should be assessed as organizations as well as investors. Highly accountable and responsible funds such as NZ Super Fund have been leading the way in building a more responsible portfolio, divesting from non-sustainable industries, and the bonus of Canada's CDPQ's staff is now dependent on the carbon emissions of their investees⁴.
- In this context, we should be looking not only at how well-governed and sustainable asset owners are, but also at how well-governed and sustainable – and fair – their portfolio companies are. In 2018, New York-based research nonprofit JUST Capital started assessing and ranking America's main listed corporations based on 29 different issues related to workers, customers, communities, environment and shareholders. Please refer to Appendix 1 for the full list of issues and weights.
- Now, SWFs and PPFs not only invest in American public equities, and even if they were, most of them do not disclose their portfolio and weights – except for one: Norway's NBIM. The Norwegians provide the list of the traded entities they are invested in, and the market valuation in real time. We could therefore, at any given time, assess how fair and JUST that portfolio of US equities (which stands for 25% of its portfolio) is.

Portfolio of Norges Bank Investment Management (NBIM)					
USD billion	Global	%	US	% US	% Total
Stocks	632,713	65%	245,360	65%	25%
Bonds	307,172	32%	116,468	31%	12%
Properties	28,157	3%	13,361	4%	1%
Total	968,043		375,189		39%

Source: NBIM website as of November 19, 2019

- We analyzed those USD 245 billion in holdings according to JUST Capital's latest scores, with the objective of assessing if (i) NBIM's portfolio is more "just" than the universe's average for each of the issues; and (ii) NBIM invests more heavily in those companies that are more "just" in each of the issues. This would tell us how fair of an investor NBIM really is, at least when it comes to American public equity holdings. It is worth noting that the Norwegian fund maintains a remarkable active portfolio, with only 4% outsourced to external managers, and is moving away from index-replicating strategies to avoid benchmark weaknesses and high trading costs⁵.
- The exercise was greatly insightful. A total of 860 of the 1,930 American public companies NBIM is invested in are assessed by JUST Capital, representing an 85% of the value (market value of USD 209 billion). Those companies ranged from America's most "just" company, Microsoft Corp. with a score of 78.7, to one of America's least "just" companies, O&G transportation firm Kirby Corp. with a score in the bottom 10%.
- We found that overall, and in terms of a simple average, NBIM JUST score was 50.4, in line with JUST universe average; however, if we weighted the stakes that the Norwegian fund owned in the context of its overall equities' portfolio, its score would increase to 56.7, well above the average. The table per issue is as follows:

How JUST of an investor NBIM is				
Issue	Weight	NBIM as an investor (average)	NBIM as an investor (weighted)	JUST Universe
Workers	35.3%	50.1	58.8	50.3
Customers	24.1%	51.0	51.7	51.0
Communities	18.4%	49.6	58.2	49.8
Environment	11.2%	51.4	59.5	50.8
Shareholders	11.0%	50.4	55.3	50.5
Overall	100.0%	50.4	56.7	50.4

Source: JUST Capital / Global SWF joint analysis

⁴ CDPQ: La Caisse publishes its 2018 Annual Report ([link](#))

⁵ NBIM: Strategy plan 2020-2022 ([link](#))

Who are the winners and the losers?

- **Workers:** NBIM's portfolio performs low in the most weighted issues, with stores companies in the bottom 10% such as Skechers, Burlington, Five Below and Dollar Tree. However, these stocks represent only 0.2% of NBIM's US portfolio and the weighted score is well above JUST universe's.
- **Customers:** NBIM's portfolio is well above the universe's average in weighted terms, with some of America's major technological companies (Apple-72.1, Microsoft-69.5, HP-68.5 and Intel-67.4), which are known for placing a great importance on safety, privacy and services for their customers.
- **Communities:** NBIM's portfolio is again above JUST universe's weighted average, with investments in companies that show a great commitment with the communities, such as CVS Health (89.1), Retailer Target (85.3) and packagers UPS and FedEx (87.7 and 85.2, respectively).
- **Environment:** This is one of the most critical aspects for NBIM, and its US equities' portfolio could have performed better if it weren't for its holdings in cruise operator Carnival, gold miner Newmont, O&G explorer Diamondback Energy and Chemicals company Cabot, all in the bottom 10%.
- **Shareholders:** Finally, NBIM's portfolio presents no problems with this group of issues and is well above the industry. Best performers include aluminum producer Alcoa (91.6), health insurer Anthem (85.4), insurer The Hartford (84.5) and healthcare provider Cardinal Health (81.1).
- **Overall:** NBIM's portfolio is well spread. The Fund is invested in nine of America's ten most JUST companies, with an average score of 71.7 – but also in some of America's least JUST companies. Fortunately, the portfolio is weighted towards the former, which improves its overall score.
- For a full list of the score per portfolio company, please refer to Appendix 2.

Conclusions:

- The groups covered by JUST Capital represent a large array of issues that affect any corporation, and a good performer in any given category may perform poorly in another. As a public investor, NBIM needs to be responsible but also profitable, and having a high score in the shareholders' category should perhaps be the priority for NBIM, and for its ultimate shareholder, the Norwegian citizenry.
- Also, not because Microsoft is America's most JUST company, a greater weight must be necessarily put into its stock – as NBIM already owns 0.95% of the company's shares. Other considerations such as timing, risk, diversification and correlation with the rest of the portfolio need to be taken into consideration, too.
- Ultimately, the exercise would only be complete if it covered international stocks, as well as the bonds and properties in NBIM's portfolio – and if this overall score was compared to NBIM's as an organization. In any case, the index is a good reality check for investment managers to align with the fund's sustainable policies. It will not be long until governance, sustainability and **JUSTness** start becoming as important as profitability.

About JUST Capital

JUST Capital is an independent research nonprofit that uses advanced polling, market research and leading-edge corporate performance measurements to rank companies on the issues Americans care about most.

About Global SWF

Global SWF is a financial boutique highly specialized in Sovereign Wealth Funds and other institutional investors and focused on Consulting services, Fundraising / M&A services and Data Subscription services.

Appendix 1: JUST Capital 29 issues and weights

#	Issue	Description	Group	Weight
1	Pays a fair wage	Pays wages appropriate for qualifications, performance, and employee contribution.	Workers	6.5%
2	Acts ethically at the leadership level	Prioritizes ethical leadership, including accountability for company-related issues.	Shareholders	5.8%
3	Pays a living wage	Covers local needs for food, housing, and medical care.	Workers	5.7%
4	Provides benefits and work-life balance	Offers quality benefits, including health insurance, retirement planning, and work-life balance.	Workers	5.3%
5	Provides equal opportunity	Commits to an inclusive workplace with equal opportunity and pay without discrimination.	Workers	4.7%
6	Makes products that do not harm	Offers products or services that are not harmful to health, the environment, or society.	Customers	4.7%
7	Minimizes pollution	Mitigates health impacts caused by pollution and cleans up any environmental damage it causes.	Environment	4.6%
8	Makes safe and reliable products	Creates products that are reliable, safe, and durable.	Customers	4.5%
9	Creates quality and stable jobs	Offers full-time employment opportunities and jobs that employees would recommend.	Workers	4.0%
10	Follows laws and regulations	Complies with laws and regulations and provides honest and transparent financial reporting.	Shareholders	4.0%
11	Creates and retains jobs in the U.S.	Creates jobs in the United States and maintains a sizeable U.S. workforce.	Communities	3.9%
12	Protects the environment	Follows all environmental laws and regulations and establishes policies and systems that protect the environment.	Environment	3.8%
13	Provides career development	Offers training and career development opportunities.	Workers	3.4%
14	Protects customer privacy	Prioritizes customer privacy and stores customer data securely.	Customers	3.3%
15	Makes fairly priced products	Provides products and services of good value and does not price them unfairly.	Customers	3.1%
16	Treats customers fairly and inclusively	Treats customers fairly and does not discriminate based on race, religion, gender, age, and more.	Customers	3.0%
17	Avoids business with exploitative countries	Takes steps to avoid causing or contributing to international conflicts.	Communities	2.9%
18	Communicates honestly in advertising	Does not mislead about its products or services in public communications.	Customers	2.9%
19	Uses resources efficiently	Maximizes use of renewable energy, recycles, and prioritizes resource efficiency.	Environment	2.8%
20	Promotes a safe workplace	Protects workers from hazardous or harmful conditions in the workplace.	Workers	2.7%
21	Provides jobs in comm. that need them	Creates job opportunities in communities with high unemployment and poverty rates.	Communities	2.6%
22	Provides positive customer service	Offers positive experiences and rewards programs to customers.	Customers	2.6%
23	Pays fair share of taxes	Pays taxes on U.S. income at a rate that is in line with most American companies.	Communities	2.5%
24	Requires supplier human rights stds.	Does not work with companies with abusive working conditions.	Communities	2.4%
25	Contributes to community development	Supports community advancement and uses local products and resources.	Communities	2.3%
26	Gives back to local communities	Supports its community through donations, volunteering, and community programs.	Communities	1.9%
27	Creates a transparent workplace	Facilitates open and transparent communication in workplace culture.	Workers	1.8%
28	Pays CEO reasonably compared to workers	Compensates CEO fairly compared to workers and based on company financial performance.	Workers	1.2%
29	Generates returns for investors	Manages operations to generate profits over the long term.	Shareholders	1.2%
				100%

Source: JUST Capital

Appendix 2: Results of analysis on NBIM US equities' portfolio

#	Name	Ticker	Rank	Workers	Customers	Communities	Environment	Shareholders	Overall	NBIM %	Market Value(USD)
1	Microsoft Corp	MSFT	1	87.9	69.5	77.5	77.4	72.3	78.7	0.95	7,473,560,009
2	NVIDIA Corp	NVDA	2	94.7	53.3	58.8	76.7	69.3	73.3	0.87	711,469,026
3	Apple Inc	AAPL	3	68.8	72.1	83.5	83.2	55.4	72.4	0.97	7,245,475,994
4	Apple Hospitality REIT Inc	AAPL	3	68.8	72.1	83.5	83.2	55.4	72.4	1.06	34,730,144
5	Intel Corp	INTC	4	72.1	67.4	74.3	81.2	72.6	72.4	0.97	2,070,020,587
6	salesforce.com Inc	CRM	5	90.7	55.0	61.6	70.6	60.3	71.1	0.87	906,628,948
7	Alphabet Inc	GOOG	6	80.1	62.6	71.5	77.6	50.5	70.8	0.92	6,655,876,675
8	Anthem Inc	ANTM	7	73.1	56.2	69.2	65.6	85.4	68.8	0.95	644,355,614
9	PayPal Holdings Inc	PYPL	8	82.6	62.9	56.8	66.3	60.4	68.8	0.88	872,866,898
10	VMware Inc	VMW	10	85.0	58.4	54.0	77.3	46.3	67.8	0.14	80,931,795
11	Cisco Systems Inc	CSCO	11	77.8	56.8	62.0	70.6	60.4	67.1	1.08	2,096,948,071
12	Intuit Inc	INTU	12	81.8	51.8	60.4	72.8	56.6	66.9	0.80	406,316,707
13	The Hartford	HIG	13	73.1	54.4	60.8	65.2	84.5	66.7	0.92	147,414,869
14	Workday Inc	WDAY	14	83.1	53.3	55.8	83.4	44.4	66.7	0.55	191,014,485
15	Edwards Lifesciences Corp	EW	15	75.5	61.1	55.8	65.8	67.6	66.4	1.71	548,593,672
16	Keysight Technologies Inc	KEYS	16	73.4	55.7	66.0	70.6	62.5	66.3	0.90	105,073,380
17	Verizon Communications Inc	VZ	19	71.7	53.2	74.5	61.1	65.7	65.9	1.01	2,347,968,763
18	Adobe Inc	ADBE	22	76.9	60.6	52.3	71.7	44.1	64.3	0.86	944,316,258
19	AT&T Inc	T	23	61.6	58.2	78.5	52.8	73.3	64.2	0.97	2,008,215,188
20	Agilent Technologies Inc	A	24	70.1	58.1	61.3	70.1	56.0	64.0	0.90	193,473,998
21	Accenture PLC	ACN	25	71.7	50.8	52.8	74.1	73.6	63.6	0.88	795,546,129
22	Eversource Energy	ES	26	67.8	59.7	58.9	63.5	63.3	63.2	0.78	159,870,401
23	Exelon Corp	EXC	27	71.1	50.2	61.1	58.1	73.1	63.0	0.70	305,177,584
24	Boston Scientific Corp	BSX	28	74.6	43.4	59.4	68.7	65.4	62.6	0.93	452,705,471
25	Xylem Inc/NY	XYL	29	59.4	56.1	59.1	76.0	79.0	62.6	2.06	247,432,855
...
836	IAC/InterActiveCorp	IAC	894	Bottom 10% Overall						0.95	145,815,521
837	New York Community Bancorp Inc	NYCB	895	Bottom 10% Overall						0.88	40,696,801
838	Sinclair Broadcast Group Inc	SBGI	896	Bottom 10% Overall						1.47	37,682,373
839	frontdoor Inc	FTDR	897	Bottom 10% Overall						0.72	16,121,775
840	Wendy's Co/The	WEN	899	Bottom 10% Overall						1.53	56,553,844
841	Six Flags Entertainment Corp	SIX	900	Bottom 10% Overall						0.82	38,458,020
842	Qurate Retail Inc	QRTEA	902	Bottom 10% Overall						0.82	72,091,693
843	Skechers U.S.A. Inc	SKX	903	Bottom 10% Overall						0.82	29,796,508
844	Domino's Pizza Inc	DPZ	904	Bottom 10% Overall						1.10	113,357,469
845	Dollar Tree Inc	DLTR	906	Bottom 10% Overall						1.22	263,223,098
846	Prosperity Bancshares Inc	PB	907	Bottom 10% Overall						0.85	36,828,770
847	Nexstar Media Group Inc	NXST	908	Bottom 10% Overall						0.92	32,935,612
848	Chipotle Mexican Grill Inc	CMG	909	Bottom 10% Overall						0.84	101,005,612
849	Royal Gold Inc	RGLD	910	Bottom 10% Overall						1.46	82,112,912
850	Pilgrim's Pride Corp	PPC	911	Bottom 10% Overall						0.41	15,841,309
851	PacWest Bancorp	PACW	912	Bottom 10% Overall						0.96	38,930,079
852	Cinemark Holdings Inc	CNK	913	Bottom 10% Overall						0.87	36,406,524
853	AMERCO	UHAL	914	Bottom 10% Overall						0.09	5,572,620
854	BGC Partners Inc	BGCP	915	Bottom 10% Overall						0.56	14,372,848
855	Ollie's Bargain Outlet Holdings Inc	OLLI	916	Bottom 10% Overall						0.37	15,617,878
856	McDonald's Corp	MCD	917	Bottom 10% Overall						0.94	1,280,624,541
857	Acadia Healthcare Co Inc	ACHC	919	Bottom 10% Overall						1.10	24,857,174
858	TransDigm Group Inc	TDG	920	Bottom 10% Overall						0.78	140,557,000
859	Five Below Inc	FIVE	921	Bottom 10% Overall						0.95	54,154,395
860	Kirby Corp	KEX	922	Bottom 10% Overall						0.80	32,118,797
Total / Average				50.1	51.0	49.6	51.4	50.4	50.4		208,540,392,847

Source: JUST Capital and Global SWF Analysis

"Rank" represents the overall ranking of the company among JUST's 1,000 ranked American listed equities.
All scores are presented in a raw manner, before considering the weight they represent into NBIM portfolio.